

## Message Text

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ACTION EB-08

INFO OCT-01 EA-09 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15 STR-04

ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /093 W

-----222220Z 062141 /46

R 220801Z APR 77

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 7600

INFO AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

UNCLAS SINGAPORE 1734

E.O. 11652: N/A

TAGS: ETRD, SN

SUBJ: GSP FIRST YEAR REVIEW: SINGAPORE

REF: A. STATE 67507, B. STATE 83930

1. UPON RECEIPT REFTEL A, EMBASSY ASKED GOS DEPARTMENT OF TRADE TO COMMENT ON FIRST YEAR EXPERIENCE WITH U.S. GSP. AFTER CONSIDERABLE DELAY, GOS RESPONSE WAS DISAPPOINTINGLY GENERAL; DEPARTMENT OF TRADE HAS NOT DONE SERIOUS ANALYSIS OF GSP OPERATIONS HERE, AND APPARENTLY DOES NOT INTEND TO DO SO.

2. SINGAPORE'S 1976 GSP-ELIGIBLE EXPORTS TO THE U.S. TOTALLED \$133 MILLION, OR APPROXIMATELY 13 PCT OF ALL SINGAPORE EXPORTS TO THE U.S. OF THIS AMOUNT, HOWEVER, OVER \$60 MILLION, OR 45 PCT, WAS NOT AFFORDED GSP TREATMENT.

3. \$33 MILLION OF THE INELIGIBLE PORTION IS EASILY ATTRIBUTABLE TO THE EXCLUSION, ON COMPETITIVE NEED BASIS, OF ONE ITEM, SOLID STATE RADIO RECEIVERS (TSUS 68524).

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4. EMBASSY IS UNABLE TO DETERMINE PRECISE REASONS WHY REMAINING PORTION, TOTALLING \$27.9 MILLION, DID NOT RECEIVE GSP. WE AND DEPARTMENT OF TRADE DO NOT BELIEVE THIS IS DUE TO EXPORTER UNFAMILIARITY WITH GSP OR UNWILLINGNESS TO ACCEPT ADDITIONAL PAPERWORK. MORE LIKELY, THIS IS DUE TO INABILITY TO MEET ORIGIN REQUIREMENTS. WE NOTE THAT VERY FREQUENTLY TSUS NUMBERS SHOW ONE PORTION OF IMPORTS OF AN ITEM ENJOYING GSP, AND ANOTHER

NOT. SINCE THIS MAY BE THE CASE EVEN THOUGH THERE IS ONLY ONE PRINCIPAL MANUFACTURER OF THE ITEM, IT WOULD APPEAR THAT FOR CERTAIN ITEMS (PARTICULARLY DESK CALCULATORS, TRANSFORMERS, ELECTRIC MOTORS, TAPE RECORDERS, CAMERAS, AND PARTS OF TELEVISION SETS) REACHING THE 35 PCT VALUE-ADDED LEVEL IS NOT ALWAYS POSSIBLE.

5. GSP EXPORTS IN 1976 ACCOUNTED FOR ONLY 11 PCT OF SINGAPORE'S DOMESTIC EXPORTS. THE U.S. ACCOUNTED FOR APPROXIMATELY ONE-FIFTH OF TOTAL GSP EXPORTS. THUS, EXPORTS TO THE U.S. UNDER GSP REPRESENT ONLY ABOUT 2 PCT OF TOTAL SINGAPORE EXPORTS. IT THEREFORE SEEMS THAT THE U.S. GSP GENERALLY, BASED ON THE FIRST YEAR'S EXPERIENCE, HAS NOT HAD A SIGNIFICANT EFFECT ON OVERALL VOLUME OF SINGAPORE DOMESTIC EXPORTS. IT HAS NOT EVEN HAD MUCH EFFECT ON EXPORTS TO U.S. THESE GREW DRAMATICALLY IN 1976, BUT APPARENTLY FOR OTHER REASONS. GOS STATISTICS SHOW THAT IN 1976, WHILE TOTAL EXPORTS TO U.S. WERE INCREASING BY \$253 MILLION OR 35 PCT OVER 1975, THE GSP COMPONENT OF THIS INCREASED ONLY \$23.5 MILLION, OR 21 PCT. THUS, GSP-ELIGIBLE EXPORT GROWTH LAGGED BEHIND OVERALL EXPORT PERFORMANCE (HOWEVER, IF SOLID STATE RADIOS, INELIGIBLE BECAUSE OF COMPETITIVE NEED, ARE EXCLUDED FROM THE ANALYSIS, THEN U.S. GSP GROWTH DOUBLES TO 42 PCT).

6. IT SHOULD ALSO BE POINTED OUT THAT, ALTHOUGH U.S. GSP EFFECT ON OVERALL TRADE VOLUME AND PATTERN SEEMS SLIGHT, U.S. GSP HAS HAD DRAMATIC EFFECT ON EXPORTS OF CERTAIN PRODUCTS. NOTEWORTHY IS THE INCREASED EXPORT TO U.S. OF ELECTRIC MOTORS (TSUS 68225 AND 68240), UP \$7 MILLION OR 113 PCT. WATER HEATERS UNCLASSIFIED

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AND WOODEN CHAIRS ALSO SHOWED LARGE INCREASES. AN AMERICAN ELECTRICAL COMPANY MANUFACTURING IN SINGAPORE APPEARS TO HAVE BEEN A MAJOR BENEFICIARY OF U.S. GSP.

7. EMBASSY KNOWS OF NO NEW INVESTMENT UNDERTAKEN OR BEING PLANNED SOLELY IN ORDER TO BENEFIT FROM U.S. GSP. ON OTHER HAND, ONE AMERICAN INVESTOR OF STEREO SPEAKERS APPEARS TO HAVE SHELVED INVESTMENT PLANS BECAUSE OF COMPETITIVE NEED LIMITATION ON TSUS 68524.

8. GOS AND HOST COUNTRY EXPORTERS ARE GENERALLY PLEASED WITH THEIR FIRST YEAR EXPERIENCE WITH U.S. GSP. NO SIGNIFICANT PROBLEMS WERE ENCOUNTERED. GOS DOES NOT HESITATE TO REMIND US, HOWEVER, THAT IT REMAINS UNHAPPY WITH THE FACT THAT A NUMBER OF SINGAPORE'S MAJOR EXPORT ITEMS (BALL BEARINGS, SEMICONDUCTORS AND RESISTORS, WATCHES) ARE NOT ELIGIBLE FOR GSP TREATMENT.

9. REGARDING REFTTEL B, GOS HAS AS YET GIVEN US NO FEEDBACK

ON QUESTION OF FREE TRADE ZONES, OTHER THAN TO INDICATE THAT  
REVISED CUSTOMS REGULATIONS ARE SATISFACTORY AND PRESENT NO  
IMPLEMENTATION PROBLEMS. IN RETROSPECT, WE DOUBT THAT THIS  
PROVISION WILL HAVE GREAT BENEFIT TO SINGAPORE UNLESS AND UNTIL  
GSP STATUS IS ACCORDED TO INDONESIA. GRANT

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## Message Attributes

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